MICROCREDIT AND POVERTY ALLEVIATION IN KERALA

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Abstract

This paper aims to contribute to the existing literature on microcredit movement in Kerala, particularly its effects on poverty alleviation. The dispersal of small collateral-free loans to jointly liable poor group members in Kerala is either modeled after the *Kudumbashree* experiment or linked with the State institutions in one way or other. However, the sustenance of the microcredit movement in Kerala is largely attributable to the transformation of Kerala State and the emergence of a consumption society. Unlike other Indian states with a poor track record with the decentralization of political and economic power, the decentralization experiments in Kerala has triggered the penetration of new state processes at the grassroots level, of which microcredit is an integral part. The functioning of microcredit groups in Kerala, particularly the Neighbourhood Groups (NHGs) of *Kudumbashree*, is closely linked to the panchayath raj institutions.This article explores the poverty alleviative effects of microcredit movement in Kerala in the context of the 'disciplining' practices existed in the *Kudumbashree* groups.

Key Words: microcredit, exchange relations, Kudumbashree, consumption, privatisation, discipline.

Even though alleviating poverty through banking is an old idea with a checkered past (Morduch 1999)[xxxi], the advent of micro credit 'revolutionized' the attack on household poverty and its causal processes. Its 'revolutionary' potential is mostly attributable to the overcoming of a greater part of the structural barriers to extend the credit and savings services to the poor (Islam 2007). Following the 'success' of the Bangladesh Grameen bank, it is widely argued that the provisioning of micro loans to the 'unbankable poor', who are exposed to exorbitant interest rate from local finance agents such as monopolistic money lenders, has real potential to make substantial changes in living conditions. The awarding of the Nobel peace prize (2006) for Muhammad Yunis and Grameen Bank 'for their efforts to create economic and social development from below' adds to the international acceptance of microcredit as a poverty alleviation tool. The Norwegian Nobel Committee has remarked that "micro-credit has proved to be an important liberating force in societies where women in particular have to struggle against repressive social and economic conditions"[xxxii].

At the outset, there is a need to clarify the distinction between microcredit and microfinance. Microcredit is a part of microfinance and refers to the extension of small amounts of collateral-free institutional loans to jointly liable poor group members for their self- employment and income generation (Islam 2007). The prominent sources of microcredit are Self-Help Groups (SHGs) constituted for

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provisioning of microcredit out of the members' total savings and formal financial intermediaries such as banks and other local financial institutions. Microfinance covers a broader range of financial services additional financial services which include savings, insurance, housing loans and remittance transfers. At many times, the local microfinance promoting institutions offer microfinance plus activities such as entrepreneurial and life skills training, advice on topics such as health and nutrition, sanitation, improving living conditions, and the importance of educating children. The Grameen Bank in Bangladesh has indulged in a whole host of microfinance and microfinance plus activities[xxxiii].

As rightly observed by the Norwegian Nobel Committee, Grameen Bank in Bangladesh has been a source of ideas and models for the many institutions in the field of micro-credit that have sprung up around the world[5]. Since its inception in 1976 as an experimental project and later in 1983 as a formal financial institution (Rao 2003), Grameen bank cumulatively disbursed (until May 2008) 7041.85 million USD to its borrowers. As of May 2008, it has 7.50 million borrowers, 97 percent of whom are women. With 2,515 branches, GB provides services in 82,072 villages, covering more than 97 percent of the total villages in Bangladesh[xxxiv]. The widespread enthusiasm generated by the Bangladesh Grameen bank and other microcredit facilitating institutions across the world has made microcredit one of the most important interventions with regard to combating global poverty. The 'Monterrey consensus', which was the outcome of the United Nations International Conference on Financing for Development (2002), viewed microcredit as an innovative source of development finance. The International Year of Microcredit, 2005, which was launched by the General Assembly in November 2004, has brought together various United Nations Agencies, civil society organizations and private sector to promote microfinance and microcredit as a key instrument for reducing poverty and achieving the Millennium Development Goals to halve the global poverty by 2015 (United Nations 2005).

The 'economics' of micro credit rests on a premise that the key essentials for the functioning of a formal credit market can be substituted with the mutual cohesion of a peer group constituted for provisioning credit on micro scale. These key essentials are: information on the credit worthiness of potential borrowers (Robinson 2002); collateral requirements such as physical and financial assets which the lender require as security for the loan (Balkenhol and Churchill 2002); and the low transaction costs per loan (Armendáriz and Morduch 2005). The substitution of these essentials, however, is through the facilitation of certain forms of social trust that differ considerably from the lender-borrower relationships exist in formal credit market[xxxv]. In view of the fact that the quantum of Non-Performing Assets (NPAs)[xxxvi] has been growing by leaps and bounds, the 'poor always pay back' (Dowla and Barua 2006) track record has generated a great deal of excitement over these 'set of unusual financial institutions prospering in distant corners of the world (Morduch 1999).

The modus operandi of the poverty alleviative interventions of microcredit groups has differential patterns across the world. Most of the microcredit 'success stories', for instance the Grameen Bank case in Bangladesh, attempted to alleviate poverty through providing 'start-up capital for activities generating alternative incomes' (Yanbykh 2001). The utilization of micro loans for individual and group based income generation activities has been marked with mixed success rates, but high repayment rates, in most cases more than ninety five percent, turned micro credit into a 'banking success story' across the world. The increase in household consumption following the membership in a microcredit group is one of the widely used indicators to measure the poverty alleviative effects of microcredit. Khandker's (1998) study of the experiences of three microcredit institutions in Bangladesh – the Grameen Bank, the Bangladesh Rural Advancement Committee, and the Bangladesh Rural Development Boards Rural Development Project 12-- concluded that microcredit programs combat poverty by increasing the household consumption expenditure of participants (Daley-Harris 2004). Khandker and Pitt (1998) found that annual household consumption expenditure increases 18 taka (the currency of Bangladesh) for every 100 additional taka borrowed by women from these microcredit programs, compared with 11 taka for men. According to the statistics provided in Islam (2007), the per capita expenditure of Grameen bank members on food, clothing and housing are higher than the non-members.

Contemporarily, microfinance based poverty alleviation has become a competitive field with multiplicity of stakeholders that ranges from State to corporate institutions. The provisioning of credit services to low-income households "appears to offer a 'win-win' solution, where both financial institutions and poor clients profit" (Murdoch 1999). Through the extension of financial services to the millions of the world's poor heretofore excluded from formal financial markets (Islam 2007), microcredit has opened up a rare possibility of providing credit and savings services profitably (Robinson 2002). Since 1990s microfinance began to develop as an industry and at present there are micro finance banks, for instance the *Compartamos* in Mexico, already issued debt on the stock market with its own collateral, and has become a financial intermediate between large investors and low-income groups[9]. It is pertinent to note here that the interest rates of many micro credit institutions are even comparable to the exorbitant rates charged by local money lenders. *Compartamos*, which was rated as Mexico's most profitable bank in 2006, charges an annual interest rate of nearly 100 percent. Muhammad Yunus, who pioneered the movement three decades ago, didn't consider the commercial version as micro credit and according to him *Compartamos* is raking in money off poor people desperate for cash.

The Microcredit Movement in Kerala

The following is a discussion of the microcredit movement in Kerala. In contrast to many of the microcredit 'success regions' across the world, the microcredit movement in Kerala is largely a State driven one. The evolution and sustenance of the microcredit movement in Kerala is largely attributable to the contemporary transformation of Kerala State and the state-directed welfare programmes. Unlike other Indian states with a poor track record with the decentralization of political and economic power, the decentralization experiments in Kerala has triggered the penetration of new state processes at the grassroots level, of which microcredit is an integral part. Microcredit in Kerala has been a competitive field with a multiplicity of actors, but a greater part of these interventions was either modeled after State sponsored microcredit groups or linked with the State institutions in one way or other. This is especially true for the microcredit groups sponsored by the political parties, Christian Churches and non-governmental organizations.

The functioning of microcredit groups in Kerala, particularly the neighbourhood Groups (NHGs) of *Kudumbashree*, is closely linked to the *panchayat raj* institutions[xxxvii].The greater than before participation in ward based *grama sabha* meetings in recent times is mainly attributable to the extensive spurt of *kudumbashree* NHGs and the Amboori village *panchayat* offers a good case in point. The microcredit-local self-government linkage emanates not only from the compulsory registration of *kudumbashree NHGs* in the *panchayat* institutions but also due to factors that motivate a considerable section of the people in the migrant settlements to become members in micro credit groups. During the course of household surveys in Amboori, a village in Southern Kerala, I found that a large number of migrant settler joined micro credit group(s) on the expectation of receiving benefits from the *panchayat.* The rationale behind high participation in *grama sabha* meeting is that it is the platform which announces the households and *kudumbashree* NHGs that find a place in the beneficiary list[xxxviii] for various grants and other governmental assistance routed through *panchayat* institutions.

Kudumbashree, literally means ‘prosperity of the family’ and is the poverty eradication mission of the Government of Kerala (GOK). It describes an organization initiated by the state government in 1998 to eradicate poverty by 2008. The following quote is a brief account on the evolution of the *kudumbashree* movement in Kerala.

“In 1991, the GOK, along with UNICEF, initiated the Community-Based Nutrition Program (CBNP) in Alleppey town to improve the health and nutritional status of children and women. CBNP facilitated collective action by forming and developing the capacity of three- tiered community development societies (CDS), the members of which are exclusively women.Women from families identified as poor using a nine-point non-income-based index were organized into neighborhood groups (NHGs) comprising 20.45 families. Each NHG elected a five-member committee called the neighborhood group committee (NHGC) to coordinate and facilitate action at the NHG level. The NHGs were federated at the ward level as an area development society (ADS). The ADS was then federated at the municipal level as a CDS. Based on the positive experiences in urban Alleppey, and subsequently in rural Malappuram, the GOK scaled up the CDS strategy to the entire state in 1998 under the name Kudumbashree. The State Poverty Eradication Mission implements Kudumbashree through the Department of Local Self- Governments (LSG), formed and empowered in 1992 by the 73rd and 74th constitutional amendments”(Kadiyala

2004)

Envisioned to eradicate poverty by means of the empowerment of women through community based organizations, the motto of *kudumbashree* is to “reach out to the family through women, reach out to the community through family”[xxxix]. According to the mission statement, the objective of kudumbashree is “to eradicate absolute poverty in ten years through concerted community action under the leadership of local governments, by facilitating organization of the poor for combining self-help with demand-led convergence of available services and resources to tackle the multiple dimensions and manifestations of poverty, holistically”.

The basic unit of *kudumbashree* is a Neighborhood Group (NHG) consisting of poor women numbering between 15 and 40 families. The poor are identified based on the following risk factors: “No Land /Less than 5 cents of Land, No house/Dilapidated House, No Sanitary Latrine, No access to safe drinking water within 150 meters, Women headed house hold/ Presence of a widow, divorcee / abandoned lady / unwed mother, No regularly employed person in the family, Socially Disadvantaged Groups (SC/ST)[xl] Presence of Mentally or Physically challenged person / Chronically ill member in the family, Families without colour TV” .Contemporarily, the membership in *kudumbashree* NHGs are no longer solely restricted to members having any of the aforementioned risk factors, but certain checks which have been put in place to prevent the hijacking of NHGs by the women from relatively well-off families. The most prominent checks in this regard are the fixation of maximum weekly savings amount (10 rupees) and the discouragement for the non-poor members from getting selected into the organization's three- tiered hierarchal structure.

As mentioned above, *kudumbashree* has a three-tier structure at the village *panchayat* level. Neighborhood groups (NHGs), equivalent to the Self-help Group (SHGs), occupy the lowest level of the pyramid. Neighbourhood groups (NHGs) are federated at the *panchayath* ward level into an Area Development Society (ADS). The highest level is the Community Development Society (CDS) at the village *panchayat* level, which is basically a federation of all the Area Development Societies at the ward level (Kadiyala 2004). The CDS is presided over by an elected member of the ADS and consists of seven general body members elected from the *panchayath* wards. While the p*anchayat* president is the patron of the CDS, the respective ward members are patrons of the ADS in their panchayat ward. The important government bureaucrats at the *panchayat* level such as agricultural officer, veterinary surgeon, and the *panchayat* secretary are ex-officio members of the CDS general body and all the ex-officio members are expected to participate in the monthly meeting of CDS general body. The charge officer of *kudumbashree* at the *panchayat* level is a government bureaucrat and he/she also functions as member secretary of the CDS. According to a handbook published by the State Kudumbashree Mission(2005) the charge officer is expected to work as a connecting link between the kudumbashree *samithi*[xli] (committee) and government/semi-government agencies, in particular the village *panchayats*. It is pertinent to note here that the democratic character of Kudumbashree ends at the CDS i.e. village panchayat level and the district and state *kudumbashree* mission is endowed with a bureaucratic institutional structure.

Micro-scale credit and thrift operations are an important constituent of *kudumbashree's* poverty alleviative interventions. As of February 2008, nearly 3.64 million families in Kerala are covered through 185071 NHGs and the figures of credit and thrift were 24887.89 and 9841.36 million rupees respectively. The Community Development Society (CDS) is the authorized body to monitor the micro scale savings and loan circulating through the *Kudumbashree* NHGs. Every *panchayat* level CDS holds an account in a nationalized/commercial/cooperative bank and is expected to facilitate the procedures through which NHGs gets loans from financial institutions for programmes such as bank linkage and *bhavanashree*. It is worthwhile to mention here that the income and expenditure accounts of *kudumbashree* NHGs in Kerala and the ward level ADS are undergoing yearly auditing and CDS is the body entrusted to ensure the proper auditing mechanisms. The bank account of CDS, which is jointly operated by the CDS chairperson and the *kudumbashree* charge officer of the *panchayat*, undergoes the auditing by a chartered accountant in every year. The certificate of the aforesaid audit has to be submitted to the governing body of the village *panchayat* and *kudumbashree* district mission coordinator. The above mentioned details of the linkage between *kudumbashree* and panchayat institutions is intended to give an idea of the State control existed in the microcredit sector in Kerala.

Kudumbashree NHGs, by virtue of its membership base mostly consists of women from Below the Poverty Line (BPL) families and close linkage with the poverty alleviative interventions of *panchayat* institutions, has emerged as the most important grass root level institution for delivering the benefits of state support routed through *panchayat* institutions. This has been especially the case since the ninth five-year plan (1997-2001)[xlii] because the allocation of 10 percent of the funds for the women's component of the plans is mandatory for the panchayat institutions. Moreover, the Left Democratic Front (LDF) Government which assumed power in 1996 has initiated a campaign to implement the ninth five-year plan as a people's plan through allocating 35-40 percent of the Kerala State's total plan outlay to local self-governing bodies to develop and implement their own project and schemes. The decentralization of political and economic power to local self-governments, which was the hallmark of the People's Planning Campaign, endowed the *panchayat* institutions more financial capacity to address the developmental questions, especially the alleviation of household poverty. *Kudumbashree* NHGs since 1998, notwithstanding the fact that United Democratic Front (UDF) government which came to power in 2001 has strike down many of the constituents of People's planning campaign, has become integrated into the local development activities of panchayat institutions in a multitude of ways. The attempts of the Left Democratic Front (LDF) government, which returned to power in 2006, to revitalize the People's Planning for the eleventh five-year plan (2007-2012) give an impetus to the aforesaid integration of kudumbashree NHGs into the functioning of *panchayat* institutions.

The above mentioned information is intended to highlight the fact that *kudumbashree* NHGs are inextricably intertwined with the *panchayat* institutions in Kerala. Nowadays, it is a common practice in many *panchayats* to utilize the services of *kudumbashree* members to conduct household surveys to prepare the beneficiary lists for various state-supported development schemes, to participate in the demonstrations and rallies organized by at the panchayat level, to fill the vacant chairs in the case of many meetings convened by *panchayat* and so on. There are occasions of 'hire and fire policy' by the *panchayat* authorities and many of the *kudumbashree* women I interviewed across Kerala revealed that they are going for the *panchayat* rallies and meetings in the fear of getting excluded from the beneficiary lists of selected households and kudumbashree NHGs, which is prepared by the *panchayat*. As far as the *grama sabha* meetings I attended in Amboori, I would say that the present-day high numerical participation hasn't been indicative of the participative deliberative process in *grama sabha* meetings. At Amboori, I have observed that majority of the *grama sabha* participants, particularly the *kudumbashree* women, were only interested in ascertaining their names in the beneficiary list. However, thanks to the participation in *kudumbashree* NHGs the womenfolk has become more aware of the developmental interventions of *panchayat* and bold enough to ask the authorities the reason for their exclusion from the beneficiary lists, if they feel eligible.

According to a hand book published by the State *Kudumbashree* Mission (2005) for different neighborhood level training sessions, the importance of weekly meetings cannot be reduced to the thrift and credit operations. Regular weekly meetings would enable the poor women of various families to assess the poverty status, discuss their problems, and think about the different possible solutions and joint efforts. The *koottaima* (groupness) of neighborhood will reach each of the member households, thanks to the shifting of the meeting venues in a rotational manner. This would also enable the NHGs to attain confidence of the remaining family members, particularly men. Discussions on the various problems faced by NHG members in these weekly meetings will give the affected members a sense of easiness. In addition to the aforementioned functions, these weekly meetings will also develop the necessary group strength to face problems that can't be addressed single handedly. Developing leadership potential among the poor women and devising group based employment activities are also two of the most important aims of the weekly meetings. Lastly, the weekly meetings are also essential for raising up the common needs of neighborhood families and prepare micro plans. The handbook also stress that the weekly meetings will add substantially to the capability of individuals to do financial transactions. These include: keeping registers of the NHGs and the accounts responsively, filling the passbooks of individual members, starting joint bank accounts, taking decisions about the member's loan applications.

Fieldwork Findings

While the female *kudumbashree NHGs* that are registered at the *panchayat*, most of the non-*kudumbashree* micro credit groups are male based and get registered at the block and district *panchayats*. Most of the micro credit groups consist of 15-25 members. The members of an NHG are expected to meet once in a week for the financial operations and related discussions[xliii]. While most of the weekly meetings are in the front courtyard or front of a member's house, meetings occasionally are held at the roadside, or in an open space where there is somewhere comfortable to sit. The weekly meeting date differs in each groups, but as a general rule the members meet either on Saturdays or Sundays around five o'clock in the evening. There are few groups which meet on the week days and the criteria for the meeting date selection are the time availability of the group members.

The following is a typical excerpt of the details of a weekly meeting as written in the passbook of a NHG unit. I prepared this excerpt after going through the documentation of the weekly meetings of *Kasthurba Kudumbashree* NHG.

Excerpt

The weekly meeting of Kasthurba NHG, which is based in the seventh ward of Amboori grama panchayat, has started on Saturday 3.30 pm with the prayer song. The unit president presided over the function. Janaki has delivered the welcome speech. The report of the last week's meeting was presented by Molly, who is the secretary of kasthurba NHG. Sixteen out of the twenty group members has participated in the meeting.

(There are names and signatures of all the 16 members participated in the meeting)

Discussion

a) *There was a discussion about issuing 1000 rupees loans to Seema and Mary.*

b) *We discussed about the necessity of fixing a street light at the temple junction.*

c) *The panchayat authorities have asked to submit the outpatient hospital ticket (OPticket), ration card[xliv] and residential address of all the Chicken Guinea patients for any possible financial assistance. We discussed about the issue.*

d) *We discussed about the severe water shortage faced by church road residents during the last three days.*

e) *There were discussions about the forthcoming submission of monthly statistics of kasthurba NHG in the panchayat office. We had also discussed about depositing savings and loan amount in the bank.*

Decisions

1. *A joint decision was taken to issue 1000 rupees loan to Seema and Mary.*
2. *We had decided to destroy the mosquitoes that spread chicken guinea in Amboori. In this regard, we decided to prevent the spread of spread of mosquitoes through coconutshell and other plastic containers in rubber plantations.*
3. *We had decided to participate in the forthcoming grama sabha meeting and raise the issue of fixing street light at the temple junction.*

The total collection is 1150 rupees (weekly savings: 150 rupees, installments of loan repayment: 850 rupees and total interest amount 150 rupees). The masavari and fine collection[xlv] *is two and four rupees respectively. The total masavari and fine until 247 rupees and 50 paisa. If we add the 16 rupees collected in June, the total masavari and fine amount will come up to 263 rupees and 50 paisa. Since 111 rupees has already spent for different purposes, the remaining amount is 152 rupees 50 paisa.*

4. *Until May, there was 6468 rupees in the bank. If we add the June collection (2840 rupees) to this amount, the total bank balance is 9308 rupees.*

Kala has delivered the vote of thanks. The meeting ended with the national anthem

Yours
President *Secretary*
(Signature) *(Signature)*

Rubber stamp of the Kudumbashree unit

The following are some of the most important discussions and decisions in kasthurba *kudumbashree* group between July and September 2007.

Discussions

a) *Rani, a member of the kasthurba kudumbashree for the last three years, is not regular in her participation in the weekly meetings and the repayment of the loan installment and interest rate. We discussed about giving her a warning letter.*
b) *We had discussed about the 138 marks given by the bank manager sir for our group. We discussed about the questions asked by the bank manager sirregarding the functioning of our group.*
c) *We discussed about the hardships caused by the road maintenance, especially the absence bus services in*

Amboori.

d) *We remembered secretary's mother-in-law who died one year back. We also discussed about the recent death of Chellapan Nair, who was a resident of the Amboori for a long period.*

e) *We discussed about the hospitalization of Jolly, who is elder sister of the secretary of kasthurba NHGs.*

f) *We discussed about the forthcoming Indian Independence Day celebrations onAugust 15.*

If the members of a Kudumbashree NHG jointly or partially decided to start a micro enterprise, the potential sources to mobilize the money are bank loans and *panchayat* subsidies. The financial capital mobilized for the establishment costs of a micro enterprise consists of both loan and grant component, even though its proportion varies in the individual cases. For instance, if 200000 rupees is the establishment costs for a micro enterprise, 120000 and 80000 rupees will be given as loan and subsidy respectively. While the loan is provided by the banks, the subsidy is provided by the *panchayat* institutions. The repayment of the bank loan is a group responsibility i.e. either a responsibility of the whole group or only those members who are involved in the setting up of the micro-enterprises. There are lots of cases where the micro enterprises have been managed by only a minority of the members in a microcredit group. The list of micro-enterprises consists of small-scale textile and retail shops, cereal powder units, food catering units and goat farming. There are microcredit groups that produce toilet lotion, bath and washing soaps and toys for children. She added that some of the male SHGs are indulged in lease farming, particularly banana, in the agricultural fields. It should be noted that lion's share of the micro enterprises started by the self-help groups end up in failure. Majority of the micro enterprises have either terminated their operations or in the verge of closing down. In most of the cases conflicts over account keeping, division of labour and the sharing of profit/ loss have been the reasons for the failure. The bank loans taken for setting up the micro enterprises have been repaid by the members through lots of *maravuthirivu* mechanisms.

There is a need to make a distinction between 'well off' and 'worse off' *kudumbashree* NHGs in Amboori. A worse-off *kudumbashree* means a NHG with insufficient working capital for the credit and thrift operations. The minimum and maximum weekly savings contribution to the individual account in a Kudumbashree group is prescribed as 10 rupees. Once becoming a member of a *kudumbashree* NHG, she is expected to deposit 10 rupees per week for the first six months. It is only after the successful probationary period of first six months the member would be eligible for a *kudumbashree* loan. While most of the NHGs will issue loans up to double their individual savings, there are groups that provide loans of three or four times of the amount of an individual's cumulative savings. However, the aforementioned loan-savings proportion is dependent upon the working capital available with the NHG. By working capital, I mean the positive difference between the total savings of the group members and the total amount issued as loans. This positive difference is caused by the increased weekly contribution of NHG members and also due to the regular repayment of loan installments and interest rates. Nowadays, depositing more than 10 rupees per week has emerged as a common practice of the relatively well-off members in within many micro credit groups.

The wellbeing of a microcredit group also depend upon the repayment term and minimum number of defaulters. The term for the repayment of a loan varies considerably according to the groups. She said that even though a loan and interest is supposed to pay back within six months, in most cases, the repayment term go up to ten months. But in the case of the well-off groups, the most of the loans were repaid within the stipulated term and there are infinitesimally small numbers of defaulters. There are groups in which members failed to even pay the default interest rates[xlvi]. Such groups would end up in getting low marks in the banker's assessment and become ineligible for bank loans and *panchayat* benefits. In the case of worse-off groups there will be less total savings for the group to give the double or triple of the individual savings to give as individual loans.

Conclusion

There is clear indication of the emergence of a consumption society sustained by an aggressive loan market. In Kerala, loan based consumption has emerged as a new form of production which demands a restructuring of the exchange relations existed in the social domestic economy. There are lots of factors worked behind the emergence of a loan based consumption society in Kerala. The decline in the household income level is mainly due to the unseasoned rains and the crop destruction by the domestic pigs coming through forests, which can be attributable to global climatic change and the wild life conservation regime respectively. The commodification of essential social arrangements such as marriage and privatization of the welfare infrastructure of Kerala State, particularly in regard to health and education, had also added substantially to the burgeoning consumption expenditure.

The privatization of erstwhile state-controlled institutions of redistribution (Kapferer 2005) has resulted in increased household spending on health and education. Being a State with history of social welfare and entitlement programmes that provide its subjects with more equitable access to basic goods(such as subsidized food, shelter, education and health) these items have an essential place in the consumption bundle of a household in Kerala. Henceforth, notwithstanding the wide-ranging privatization of the public education and health services, people continue to access these services through mobilizing finances from all the available sources. Consequently, the downsizing of State infrastructure in health care and education has triggered the mushrooming of private schools and hospitals even in remote areas.

The emergence of 'status ranking' among the kinship and neighborhood households facilitates the consumption. In *Discipline and Punish* (1977) Foucault suggests that in modern societies there has been a historical movement from brutal, overt repression and social control to rational, scientific and bureaucratic control of 'deviant' populations through surveillance. Foucault's point that the ultimate goal of surveillance is to pacify and secure a stable and predictable work-force for the nascent modern capitalist industry (Blackshaw and Crabbe 2004) has relevance in the context of the disciplining practices existed in the microcredit groups.

END NOTES

[xxxi] As Murdoch (1999) pointed out, poverty alleviation through the provision of subsidized credit was a central piece of many countries' development strategies since early 1950s. However, the efficacy of subsidized credit programmes in bringing out development at different levels has been questioned on various grounds. Proponents of micro credit criticize the subsidized credit programmes for its donor dependence; low repayment and financial unsustainability; limited outreach among the rural population; high transaction costs in lending to the poor; preferential access of large scale clients etc. To quote Robinson (2002), "Large-scale subsidized credit programmes depress, in one way or the other, the development of financial intermediaries at the local level. The low interest rates of subsidized loan programs discourage deposit mobilization, micro lending or both. In contrast, sustainable micro finance institutions with wide outreach typically offer both services and act as financial intermediaries".

[xxxii] Source: http://nobelprize.org/

[xxxiii] (Source: http://www.grameenfoundation.org)

[xxxiv] Source: http://www.grameen-info.org/

[xxxv] Contemporarily, microcredit has emerged as one of the most important field of social capital research. The social trust 'anticipated' in micro credit is largely in line with Putnam's (1993) version of social capital – features of social organization, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions. A large number of microcredit-social capital papers are accessible from http://www.socialcapitalgateway.org/

[xxxvi] Non-performing assets (NPAs), also called non-performing loans, are loans made by a bank or finance company, on which repayments or interest payments are not being made on time (Source: http://moneyterms.co.uk/).

[xxxvii] According to Article 243 of the Indian constitution, *panchayat* means an institution of self- government constituted for rural areas. The 73rd constitutional amendment (1993) required all state governments to set up a three-tier structure of p*anchayat raj* and take up steps that will ultimately enable them to assume the role

of self-governing institutions. The three tiers of p*anchayat raj* comprise the *grama panchayat* at the village level, z*illa parishad* at the district level and an intermediate tier at the block level called p*anchayat samithi* (Srivastava 2006).For administrative convenience, a *panchayat* is further divided into wards and each *panchaya*t ward has a democratically elected representative called *panchayat* member.

[xxxviii]Beneficiary list includes the names of the individuals and households who will receive direct benefit from development projects, such as houses, irrigation systems, or construction-work opportunities. Ever since the People's Plan campaign launched in 1996, the names of the beneficiary list applicants must be presented to the *grama sabha* with sector subjects groups tasked with processing applications (Issac and Heller 2003).

[xxxix] Source: http://www.kudumbashree.org/

[xl] Scheduled Castes (SC) and Scheduled Tribes (ST) are communities, which are mandated by the Indian constitution to provide special support to overcome the discrimination they faced over centuries.

[xli] The Kudumbashree *samithi* refers to the federated bodies of *kudumbashree* NHGs in the villagepanchayat.

[xlii] Five-year plans or the centralized economic planning framed, executed and monitored by the National Planning Commission for the next five years had been critical to the post independent Indian economy in a multitude of ways, even though its contemporary relevance in the context of New Economic Policies (NEP) is a matter of serious debate.

[xliii] In the dictionary of economics, a consumption bundle refers to a basket of goods and servicesthat a consumer could possibly purchase.

[xliv] Ration card is a card issued by the government allowing the holder to obtain certain rations, particularly in the Public Redistribution System (PDS). It also serves as an identity proof of household in the case of availing government benefits.

[xlv]*Masavari* is the monthly membership fees that every *kudumbashree* NHG pay at the panchayat. In case of a member become absent in the weekly meeting of her *kudumbashree* NHG, she has to pay a fine of two rupees during the next week's meeting.

[xlvi] Default interest is the additional amount mandated to pay by the member of a microcredit group member who makes default in repaying the loan instalments and the initial interest rates.

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